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Board Member Obligations- The Delicate Balance



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Here at Insurance Professionals of New England, we pride ourselves on delivering value added services with a social conscience.

Below is an excerpt from an informative article from the Law Office of Kenneth Margolin, one of our trusted resources.

Two Cornerstones of almost all successful non-profit corporations are a strong Executive Director and a capable Board of Directors. With few exceptions, the Executive Director initiates a plan, communicates to and educates Board members, who after due consideration, approve. Absent criminal activity by the Executive Director, Board vetoes of the Director's plans are so rare that some non-profit Board members may be unaware that their legal obligations demand that they be more than a rubber stamp.

The bedrock obligation of non-profit Board members is their duty of "due diligence." Like the constitutional right of "due process," however, what constitutes due diligence is not always clear. Guidance is provided in the MA statutes governing charitable organizations. The law mandates that directors and officers act in good faith and "in a manner he reasonably believes to be in the best interest of the corporation..." In exercising his duties, a director must act "with such care as an ordinarily prudent person in a like position with respect to a similar corporation organized under this chapter would use under similar circumstances."

The same statute allows directors to rely on "information, opinions, reports or records prepared by or under the supervision of an officer or employee of the corporation, who the director reasonably believes to be reliable and competent in the matters presented." The director may also rely on counsel and accountants and other consultants acting within

their areas of expertise. A director may also rely on a committee of the board on which he does not sit, when the committee acts on matters within its delegated authority, and the director reasonably believes he can have confidence in the committee.

What does all the statutory verbiage mean in plain English? As long as a director is provided with reasonable information from the Executive Director or other reliable officers, employees or consultants of the corporation, such as attorneys or accountants, about a matter on which the Board of Directors must act, the director will have done his duty.

Below is the link to the Law Office of Kenneth Margolin's website:

margolinlaw.com

Please contact IPNE at (800) 539-4763 with any questions or for additional information.

Sincerely,

Bill Szafarowicz & Karl Krantz

William J. Szafarowicz, President
Karl E. Krantz, Executive Vice President & Principal
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